

Centuria

Fund Update
March 2024

Centuria Healthcare Aged Care Property Fund No. 1

(ARSN 602 267 514 APIR HTH0015AU)

Key points

- The Fund currently holds 10 properties which are 100% occupied¹ with a portfolio weighted average lease expiry (WALE) of 11.48 years¹.
- A special resolution to extend the fund term for 2 years and divest the Group Homes Australia properties was passed with 84.1% in favour of the resolution.
- The Fund has exchanged contracts to divest the GHA properties for a combined sale price of \$38 million, which is 1.5% above the 31 December 23 book valuation.
- The March 2024 quarter distribution of 3.18 CPU (annualised) is in line with the FY24 guidance.
- 100% of the portfolio is linked to CPI rent reviews² driving strong rental growth in the property portfolio.

Fund summary

The **Centuria Healthcare Aged Care Fund No.1 (Fund)** distribution for the quarter is 3.18 CPU annualised, which is in line with the FY24 distribution guidance. Following the previous return of capital, the distribution rate on the residual initial capital (\$1.00 less \$0.51) of \$0.49 per unit reflects a distribution rate of approximately 6.5% (annualised).

Independent or internal valuations were undertaken for all properties held by the Fund as at 31 December 2023. Valuations saw an overall decrease of \$0.9m (-1.5%) driven by softening of cap rate to 6.26% from 6.07% partially offset by CPI-linked rent reviews.

The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). The audited financial report as at 31 December 2023 is available to download from [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au). The updated Net Asset Backing (NAB) is also posted on [CenturiaInvestor.com.au](https://www.centuriainvestor.com.au).

Execution of Fund Strategy

A General Meeting of the Centuria Healthcare Aged Care Property Fund No. 1 (Fund) was held on 18 October 2023 and 84.1% of the investors were in favour of.

The Manager is pleased to confirm that unconditional contracts have been executed for divestment of the 8 GHA properties in a single line for a proposed sale price of \$38.00 million, compared to a book valuation of \$37.45 million, which is a 1.5% premium. The proposed settlement date for the GHA properties are anticipated on 30 April 2024. Post divestment of the properties, an offer is expected to be available to investors, subject to regulatory and financier approvals.

1. As at 31 December 2023
2. Hall & Prior leases (Midland and Hurstville) have CPI-linked rent reviews with cap of 5%.
3. Based on the audited 31 December 2023 financial accounts. Past performance is not a reliable indicator of future performance.
4. Annualised. Forecast FY24 full year distribution. The forecast distribution rate is predictive in nature and is subject to assumptions, risks and circumstances (both known and unknown) outside of the control of the Fund. The actual returns may differ from the forecast returns. The Responsible Entity does not guarantee the performance of the Fund, the repayment of capital or any income or capital return. See Distribution Details section below for forecast assumptions and risks.
5. As at 31 December 2023.

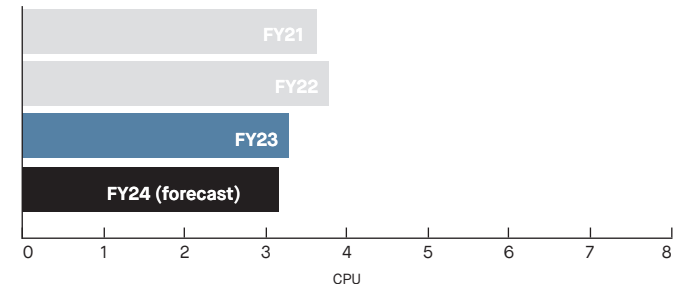


Financial snapshot

Fund commencement date	15 October 2015
Net asset value (NAV)	\$0.63804 ³
Forecast distribution rate (cents per unit)	3.18 ⁴
Weighted average lease expiry (WALE) (years)	11.48 ⁵
Next investor vote on term of Fund	October 2025

Distribution details

ANNUALISED DISTRIBUTION



The distribution rate forecast for the financial year 2024 has been set at 3.18 cents per unit (annualised). The Manager is currently in the process of preparing FY2025 budgets and the distribution rate will be confirmed to the investors in June 2024. However, given the Fund's stable income profile, it is anticipated that there will be no significant change to the distribution yield (based on remaining investment). This is only an indicative forecast and significant change to the underlying assumptions will impact the forecast distribution rate.

Please note, given the current volatility in interest rate forecasts, the distribution assumption may need to be reviewed. Should interest rates normalise at higher (or lower) than forecast levels, distributions may be revised. This forecast distribution rate also reflects the current performance of the Fund and assumes all tenants will satisfy their contractual obligations under their respective leases within a timely manner. It also assumes there are no significant unforeseen capital costs and no material changes to the Fund's financial obligations.

Portfolio statistics

	INITIAL ¹	JUN-21	JUN-22	JUN-23	DEC-23
Net asset backing	\$0.9400	\$0.5358 ²	\$0.6378	\$0.6528	\$0.6380 ³
Portfolio occupancy rate	100%	100%	100%	100%	100% ⁴
Weighted average lease expiry (WALE) (years)	20.0	14.1	12.8	12.0	11.48 ⁴

Top five tenants by net lettable area (NLA)

Group Homes Australia	54%
Hall & Prior	46%

Occupancy is 100% with a 11.48 year WALE by income as at 31 December 2023. All tenants have continued to pay their rent in a timely manner.

Debt summary

	CURRENT PERIOD	LOAN COVENANTS
Total facility limit	\$20.12m ⁵	
Undrawn amount	– ⁵	
Loan expiry	31-Dec-25	
% of debt hedged	23.36% ⁶	
Loan to value ratio (LVR)	34.62% ⁷	50.0%
Interest cover ratio (ICR)	3.52 ⁸	2.50

The interest cover ratio (ICR) determines the Fund's ability to pay the interest expense on outstanding debt. A higher ICR indicates the Fund has more funds available to pay its interest costs. BOQ (the Fund's lender) requires a minimum ICR covenant of 2.50 times and the Fund's ICR as at 31 December 2023 is 3.52 times.

The loan to value ratio (LVR) calculates the amount of debt we have against the value of the Fund's properties. The LVR bank covenant for the Fund is 50% and the Fund's LVR is 34.62%. This has seen a slight increase from 33.96%, as a result of the recent valuation reduction. The Manager will continue to update property valuations in line with the fund's valuation cycle policy.

Centuria investor website

The corresponding distribution statement for the Fund is enclosed with this report and can also be accessed from our online investor portal at [Centuriainvestor.com.au](https://www.centuriainvestor.com.au). The audited financial report for the 30 June 2023 half year financials is available to download from [Centuriainvestor.com.au](https://www.centuriainvestor.com.au). The updated Net Asset Backing (NAB) is also posted on [Centuriainvestor.com.au](https://www.centuriainvestor.com.au).

You can access all information relating to your Centuria investments at [Centuriainvestor.com.au](https://www.centuriainvestor.com.au).

1. Based on the Product Disclosure Statement dated 26 November 2015.
2. \$0.51 per unit capital returned to unitholders in September 2020 following the disposal of five properties.
3. Based on the audited 31 December 2023 financial accounts.
4. As at December 2023
5. As at 31 March 2024 (Term loan facility).
6. The manager anticipates hedging % to increase to c50% following the successful divestment of the 8 GHA assets and the partial repayment of debt.
7. As at 31 December 2023. The LVR is based on the most recent independent valuations as defined under the debt facility agreement.
8. The stated ICR figures are based on the most recent audited 31 December 2023 financial accounts.

Contact details

If you require assistance with your Centuria Investor account or have any questions regarding your investment in the Fund, please contact Centuria Investor Services on 1800 182 257 (within Australia); +61 2 9290 9689 (outside Australia) or by email on Property.Enquiry@CenturiaInvestor.com.au.

Portfolio details

PROPERTY	JUNE 2023 BOOK VALUE (\$)	DECEMBER 2023 BOOK VALUE (\$)	CAP RATE – JUNE 2023	CAP RATE – DECEMBER 2023
Warriewood	\$2,750,000	\$2,600,000	5.50%	5.75%
Waverley	\$6,250,000	\$6,000,000	5.50%	5.75%
Turrumurra	\$4,550,000	\$4,300,000	5.50%	5.75%
Hunters Hill	\$5,350,000	\$5,100,000	5.50%	5.75%
Caringbah	\$4,150,000	\$4,100,000	5.50%	5.75%
Midland	\$12,750,000	\$12,750,000	7.25%	7.25%
Hurstville	\$7,800,000	\$8,150,000	7.50%	7.50%
Wahroonga	\$5,200,000	\$5,000,000	5.25%	5.50%
St Ives	\$5,250,000	\$5,200,000	5.25%	5.50%
Blaxland	\$5,200,000	\$5,150,000	5.25%	5.50%
Total	\$59,250,000	\$58,350,000	6.07% ¹	6.26% ¹

An internal or independent valuation was undertaken for all the properties for financial reporting purposes as at 30 June 2023. Valuations saw an overall uplift of \$0.5m (+0.8%) driven by CPI-linked rent reviews despite being partially offset by softening of cap rate to 6.07% from 5.77%.

Following the anticipated divestment of the 8 GHA properties the portfolio WALE will increase to 14.5 and occupancy will remain at 100% as at 31 March 2024.

Note: The latest RG46 Statement for the Fund is available at [Centuriainvestor.com.au](https://www.centuriainvestor.com.au). It includes gearing ratio, calculated using ASIC methodology, gearing covenant sensitivities, details of the related party transactions in the period and further information on the source of distributions.

1. Weighted Average Cap Rate

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